

DOCUMENT RESUME

ED 139 095

EA 009 508

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TITLE

[How and Where to Cut Spending--When You Must.]

PUB DATE

26 Mar 77

NOTE

25p.; Paper presented at the Annual Meeting of the National School Boards Association (37th, Houston, Texas, March 26-29, 1977); Not available in hard copy due to light print of original document

EDRS PRICE

MF-\$0.83 Plus Postage. HC Not Available from EDRS.

DESCRIPTORS

Board Administrator Relationship; *Board of Education Role; *Budgeting; *Educational Finance; Elementary Secondary Education; *Guidelines; School District Spending

ABSTRACT

There are two basic ways of cutting a school district budget. The most common way is the wrong way--school board members going in to cut either dollars or activities from a budget that the superintendent and staff support. A school budget should be the educational objectives of a school system translated into financial terms. Once objectives are set, there should be an order of priority among them. The most effective way to cut a budget using the wrong approach involves four steps: 1) analyze costs by laying them out and breaking them down, 2) compare costs against various standards and against each other, 3) question how each budget item contributes to the district's objectives, and 4) cut. The right way to shape a budget is to get staff involvement from the start. The key point is that the superintendent begin the process with the board's dollar figure and the board's goals and priorities. (Author/JG)

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Remarks made by Herbert M. Lobsenz
Member, Board of Education
Westport, Connecticut

at the
National School Boards Association
37th Annual Convention
Houston, Texas
March 26, 1977.

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1977 NSBA CONVENTION/HOUSTON, MARCH 26-29, 1977

SPEAKER Lobsenz 2 - C.L.N.C. NO. 11-2 PROGRAM P-22

When I read the preparatory materials from NSBA and saw that the theme of this meeting was "Nobody Likes to be an Axman", it struck me that that had a negative ring to it. I think we should replace the metaphor of the axman with the metaphor of the carpenter, or maybe even the metaphor of the sculptor.

We good school board members don't chop budgets like axmen. We shape them. And we hew them. Yes, we even sculpt them into that precise financial plan that will come closest to carrying out the educational objectives we have participatively set for our school system.

Of course, after we get done with all that shaping and hewing and sculpting, there are still some pieces sticking out and we have got to cut it.

I'd like to talk about two ways of cutting the budget. First, the wrong way; that is school board members going into a budget that the superintendent and staff support and cutting out either dollar amounts or activities. Although this is the wrong way, it is still the most common way and I will try to present the most effective method of doing it that wrong way. I would then like to conclude by suggesting a better way - that is, a way of getting your superintendent and your staff to cut, or shape, the budget before that budget is presented to the

board, so that when the budget is put before you, you find yourself saying, "Yes, that seems to be a sound and sensible financial plan for carrying out the educational objectives we have set." And you vote to approve it.

Now a school budget should really be the educational objectives of a school system translated into financial terms. Therefore, going into a budget review, board members ought to have a clear idea of what their educational objectives are. Probably these should be committed to paper and distributed to the staff so that there is no reason for anyone not to know what the educational objectives of the system are. And objectives should not be loose statements such as "to provide excellent education at all levels" or "to educate each child to his fullest potential." Statements such as these don't really tell your staff what you want them to do or how anyone would know whether or not they had done it.

- To teach every child to read up to certain standards by the time he leaves first grade

- To have the best football team in the state

- To feed each child a breakfast of 1,200 calories every morning

Agree with them or not, these are clearly stated and measurable objectives.

Once your objectives are set, there ought to be an order of priority among them: what is most important; second most important; and so forth. Any time there are financial decisions to make, a clearly stated set of objectives and an order of priorities are indispensable.

Now that we have the objectives set and the priorities are known, we are prepared to review our budget and, if necessary, prepared to cut it sensibly.

First, we are going over doing it the most common way - which we have said is the wrong way. But, we are going to try to use the most effective method of doing it the wrong way.

The most effective method I know is to repeat a four-step process over and over again until you have reached the level of budget you want.

First, you analyze;

Then, you compare;

Then, you question;

Then, you cut.

You analyze your costs by laying them out and breaking them down. You compare your costs against various sets of standards and against one another. You question how each person and each expense item contributes to carrying out the objectives you have set.

Then, you cut.

Perhaps, it will help to take a case history of a hypothetical school district we can call "Oz".

Oz is a K through 12 school district with 6,400 students. The superintendent has proposed a budget of \$13,799,404. The board decides to cut the budget down to \$13,350,000.

First, the board attempts to do it the right way. They tell the superintendent to go back and return with \$13,350,000 worth of the best educational plan he can conceive. In other words, the board tells the superintendent to tell them which \$450,000 to cut.

But, the superintendent says he cannot, and he throws it back to the board. And, this being Oz, the board accepts the task the superintendent has assigned to them.

The board sets out to cut \$450,000 by that four-step process of analyze, compare, question, cut.

The first analysis would take a look at the whole budget summarized into the key line items; administration, instruction, attendance, health, etc., in three ways; total dollars budgeted; then per-student dollars; then the percent that goes for each key line item (Chart 1). Oz spends over \$2,000 per student and 80% of that goes for instruction. We'll have to look at that line item in far more detail. Another major chunk goes to operations; the third largest piece goes for fixed charges.

In looking at a budget, it is helpful to have a framework of comparison. I use the National Comparison of Local School Costs, which my company publishes every year. The next chart (Chart 2) shows the national average table from that study. On a per-student basis, we see that the average school district in the United States spends a little under \$1,400 per student for net current expense. We have excluded transportation and capital outlay here.

Now let's compare Oz against that national average (Chart 3). Oz is requesting close to 50% more than the national average. In certain line accounts, Oz is below the national average. For example, in Administration; in Food Service; in Fixed Charges. However, in that one big line item, Instruction, Oz spends over 50% more than the national. Looking at the Oz

budget in percentage terms, that close-to-80% for Instruction compares against 66% nationally. That confirms that we'd better break down the instructional budget and see it in greater detail.

One additional thought - where you have one line item that is very high as a percentage of the budget, and another line item that is low (for example, in the Oz budget; Instruction vs. Administration), it might be that some administrative costs are loaded into the instructional budget. That is something we might question.

The next chart (Chart 4) shows an analysis of Oz's instructional budget and breaks down the \$10.3 million into its sub-components. The major part is for salaries. These include the salaries of teachers; other professionals (which are principals, librarians, guidance counselors); and salaries for secretaries; clerks; and instructional aides. We see that some 1½% of the budget is spent for textbooks, library materials, and audio-visual materials.

Now, let's compare the Oz instructional budget to the national averages, both again on a per-student basis and on a percentage basis (Chart 5). Our total expense is \$1,611 per student in Oz vs. \$924 nationally. 79% of the budget goes to this line item in Oz; 66% nationally. In Oz, teachers' salaries cost \$1,133 per student. Nationally, the figure is \$706.85. Oz spends 50% more than the national average for teachers. On a percentage basis, however, the discrepancy is somewhat less striking. Most school districts spend a little over half of their budget on teachers; Oz spends 55%.

Oz' expense for other professionals, however, is striking. Oz spends \$244; more than twice the national average.

It is high both on a percentage basis as well. For secretaries, clerks, and aides, Oz spends over \$100 per student. Again, this is more than twice the national average; an enormous difference both in per-student and in percentage terms.

If we are going to make substantial cuts, we'll have to examine our instructional salaries: the salaries of other professionals and those of secretaries, clerks, and aides; and, of course, we must look at the teacher budget as well. But, before we cut, we have to question what these salaries are paying for.

The next chart (Chart 6) is a worksheet that can be made up for every educational location in your school district. It provides an analysis of the people at each location. There are six elementary schools in Oz and, in this case, we have analyzed elementary school #1, which is a Kindergarten through 6th grade school, with 38 half-time Kindergarten students (19 full-time equivalent students) and 446 students enrolled in grades 1 through 6. The staff consists of one Kindergarten teacher; 18 classroom teachers, grades 1 through 6; 5.2 teachers teaching special subjects (which include Art, Vocal Music, Instrumental Music, Physical Education); 1.2 guidance counselors; 1 full-time librarian (The school spends approximately \$23,000 for that librarian; six times as much as it spends for library books); 1.4 special education teachers; close to 5 classroom aides; 1 part-time nurse; the principal; 1-1/2 secretaries; 2-1/2 people in the cafeteria; and 3 custodians. The ratio of students to teachers and professionals (that includes guidance counselors and librarians) is 16.7 students to 1. The ratio of students to teachers and aides, and in this school district

most of the aides are former teachers who have not been able to find employment as teachers because of the enrollment decline, is 14.2 students to 1.

The total student to staff ratio is 11.4 children to 1 adult. Now, we can begin to look at elementary school #1 in terms of the functions we are asking it to perform and ask ourselves, "Is there anybody on this list who we don't want on the list?" In other words, if we were willing to give up guidance at the elementary level, we would be able to cut out \$20,000. If we had an aide in the library instead of a librarian, we might cut out another \$20,000. If we sacrificed special subject teachers, we might be able to save 5.2 teachers. If we increased class size from 22 or 23 to 1, to a higher amount, we could probably save some classroom teachers. We could take away part of the principal's secretary; we could cut back on cafeteria personnel; cut back on custodians.

In beginning to look at the pieces of the budget; we can examine each piece in the light of our objectives and our priorities. Whatever our objectives are, we can lay out our staffing and other expenses school by school and ask ourselves questions.

First, we analyze;

Then, we compare;

Then, we question.

Who are the people in each school? What job do they perform? How does each job relate to the educational goals and objectives we have set? If there is a job that we don't really care about, our decision is easy. If we care about all of the positions, but some more than others, we are forced to sacrifice

some of our goals in order to accomplish goals we consider more important. If we care about all things equally, then either we don't have a clear idea of our educational goals, or else we have not been thorough in thinking through our priorities.

There are many additional analyses that you might find helpful. Lay out the costs for each of your elementary schools side by side along with the staffing for each. Look for differences in costs or in ratios. Question the reasons for the differences.

Compare your expenditures per student for elementary, junior high, and senior high education. See whether you are placing too great an emphasis at one level. Do a year-to-year comparison showing positions, dollars, and students (Chart 7).

Naturally, you would be looking at the superintendent's staff and the various support services that your school system offers in the same way. You may be forced to choose between cutting some special support services and cutting classroom teachers. The only way you can make a wise choice is by having all the information arrayed before you in a way that will allow you to analyze, compare, question, and then make sensible decisions that are in line with your educational goals and objectives. And, when you do cut a budget, it makes sense to present your cuts (what you have decided not to spend) in the context of what you are spending. It's well to understand that very few districts actually reduce spending year to year. Per student educational expense continues to rise faster than the consumer price index, as this chart shows (Chart 8). So, with all the talk of budget cuts, spending hasn't gone down. It's just that we have reduced the rate of increase below what has been proposed to us.

There is no area of government, education, or business, and no household that gets all it would like to get.

What we have dealt with thus far is the most effective technique for cutting a budget the wrong way; that is, for cutting a budget that the entire staff of the school district supports.

The right way to shape a budget is to get staff involvement from the start; and, one way to do that is for the board to tell the superintendent what their dollar limit will be before the budgeting process begins. That dollar amount can be determined in many ways from a flat arbitrary statement to a thoroughly reasoned set of guidelines such as these (Chart 9).

The key point is that the superintendent begin the process with the board's dollar figure and the board's goals and priorities. These goals and limits are communicated by the superintendent to his staff within these limits and, in the light of the board's goals, the staff proposes the best educational program they can conceive.

Let's contrast the wrong way with the right way. Doing it the wrong way, there were two phases to the budget process:

First, the principals and teachers planned their programs based on what they would like to get without any real limits in mind. Then, the board imposed a cut from above. The cuts were imposed by those least familiar with day-to-day operations, and it was probably imposed hastily in an overemotional atmosphere. Then, the principals and teachers who have become angry and discouraged plan their programs a second time based on what they actually will get. That's the most common way, but it's the wrong way.

The right way allows principals and teachers to begin their planning with the certain knowledge that their plans and time will not be wasted. The plans are realistic. They relate to board goals. They are developed with a sense of priorities in mind. The budget is shaped without haste by the people most familiar with the day-to-day operations of the school system.

The school budget is the educational objectives of your school system translated into financial terms. It is the central instrument of educational policy and control.

There are two ways to treat that budget: You can stay out of the process until the end and react to a budget that is thrown at you by cutting it. That's the wrong way; and it's the hard way.

Or, you can get involved in the budget process before it starts and shape all the work that is done on it by making sure your goals are clear and your limits are understood. That's the right way. It may not be an easy way; but, it's easier than the hard way.

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OZ SCHOOL DISTRICT BUDGET 6400 Students - \$13,799,404

	\$	\$ PER STUDENT	%
Administration	\$ 340,982	\$ 53.28	2.60
Instruction	10,310,565	1611.03	79.07
Food Service	32,976	5.15	.25
Attendance	—	—	—
Health	4,665	.72	.04
Operation	1,161,794	181.53	8.90
Maintenance	431,921	67.49	3.31
Fixed Charges	540,040	84.38	4.14
Other Expense	299,878	46.06	2.30
Total Not Current	13,039,309	2057.39	100.61
Transportation	525,135	82.05	4.03
Current Capital Outlay	151,450	23.66	1.16
Grand Total	13,799,404	2156.16	105.83

COMPARATIVE COSTS PER STUDENT AND COMPARATIVE COSTS
EXPRESSED AS A PERCENTAGE OF TOTAL CURRENT COSTS

	National Average	
	1976/77	%
	PER PUPIL	
ADMINISTRATION		
Professional Salaries	54.94	3.94
Sec. and Clerical Salaries	22.31	1.60
All Other Expenditures	18.32	1.31
	14.32	1.03
INSTRUCTION		
Classroom Teachers	923.88	66.23
Other Professionals	706.65	50.68
Sec. and Clerical Salaries	100.98	7.24
Textbooks	41.59	2.98
School Library Materials	9.00	0.65
Audio-Visual Materials	4.73	0.34
Teaching Supplies	2.92	0.21
Other Instructional Expenses	24.73	1.77
	33.07	2.37
FOOD SERVICES	14.36	1.03
ATTENDANCE SERVICES	7.30	0.52
HEALTH SERVICES	9.02	0.65
Professional Salaries	7.48	0.54
PLANT OPERATION		
Salaries	133.91	9.60
Heat for Buildings	68.36	4.90
Utilities Other Than Heat	19.32	1.39
	31.52	2.26
PLANT MAINTENANCE		
Salaries	41.79	3.00
	20.66	1.48
FIXED CHARGES		
Employee Benefits	136.43	9.78
	117.13	8.40
ALL OTHER NET CURRENT EXPENSE	73.22	5.25
TOTAL NET CURRENT EXPENDITURE	1394.85	100.00
TRANSPORTATION		
Salaries and Wages	55.07	3.95
	19.83	1.42
CURRENT CAPITAL OUTLAY	64.74	4.64
DEBT SERVICE	100.37	7.20
GRAND TOTAL EXPENDITURES	1615.03	115.78

COMPARISON: OZ VS. NATIONAL AVERAGE

	<u>PER STUDENT</u>		<u>PER CENT</u>	
	OZ	U.S.	OZ	U.S.
Administration	55.28	54.94	2.60	3.94
Instruction	1611.05	923.83	79.07	66.23
Food Service	5.15	14.36	.25	1.03
Attendance	—	7.30	—	.52
Health	.72	9.02	.04	.65
Operation	181.53	133.91	8.90	9.60
Maintenance	67.49	41.79	3.31	3.00
Fixed Charges	84.33	136.43	4.14	9.78
Other Expense	46.86	73.22	2.30	5.25
Total Net Current	2057.39	1594.85	100.	100.

ANALYSIS OF OZ INSTRUCTIONAL BUDGET

	\$	\$ PER STUDENT	% CURRENT
All Instruction	\$10,310,565	\$1611.03	79.07
Teachers	7,248,792	1132.62	55.59
Other Professionals	1,562,261	244.10	11.98
Sec., Clerical, & Aides	698,965	109.21	5.36
Textbooks	106,044	16.57	.81
Library Materials	61,503	9.61	.47
Audio-Visual Materials	53,427	9.13	.45
Teaching Supplies	297,246	46.44	2.28
Other Expense	277,322	43.33	2.13

OZ INSTRUCTIONAL BUDGET VS. NATIONAL

	PER STUDENT		PER CENT	
	OZ	U.S.	OZ	U.S.
All Instruction	1611.03	923.88	79.07	66.23
Teachers	1132.62	706.55	53.59	50.68
Other Professionals	244.10	100.98	11.98	7.24
Sec., Clerical, & Aides	109.21	41.59	5.36	2.98
Textbooks	16.57	9.00	.81	.65
Library Materials	9.61	4.73	.47	.34
Audio-Visual Materials	9.13	2.92	.45	.21
Teaching Supplies	46.44	24.73	2.23	1.77
Other Expense	43.53	33.07	2.13	2.37

ANALYSIS BY SCHOOL ELEMENTARY #1

K students	33 (19)
1-5 students	446
K teacher	1
Classroom teachers	18
Subject teachers (art, music, etc.)	5.2
Guidance staff	1.2
Librarian	1.
Special Ed teachers	1.4
Classroom aides	4.96
Nurse	.55
Principal	1.
Secretaries	1.5
Cafeteria personnel	2.5
Custodians	3.0

$$\text{Students/Teacher} \quad \frac{465}{27.8} = 16.7/1$$

$$\text{Students/Teachers + Aides} \quad \frac{465}{32.76} = 14.2/1$$

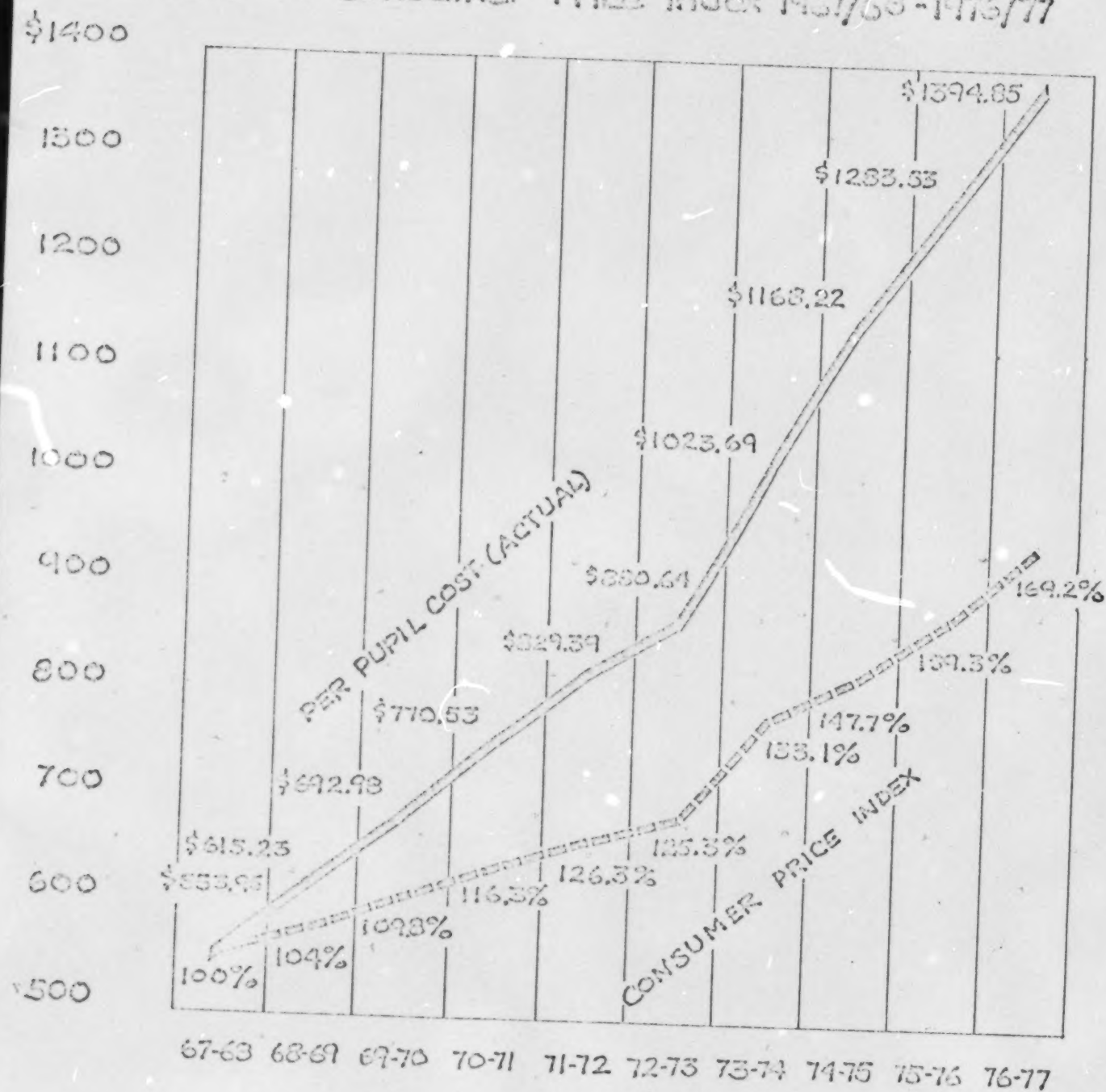
$$\text{Students/Staff} \quad \frac{465}{40.76} = 11.4/1$$

ELEMENTARY #2

1976-77
Actual1977-78
Projected

	ACTUAL	COST PER PUPIL	POSITIONS	REQUESTED	COST PER PUPIL	POSITIONS
Kindergarten Teacher	\$ 21,692	\$482.04	1	\$ 22,994	\$499.87	1
Classroom Teacher (1-6)	309,950	826.53	18	283,020	813.26	16
Special Teacher	65,321	155.53	3.9	64,415	214.25	5.05
Counselors	10,103	24.05	1	11,086	28.14	1
Librarians	19,219	47.19	1	21,003	53.32	1
Aides	22,017	52.42	4.34	19,657	49.89	4.02

Increase in Per Pupil Cost Versus Increase in Consumer Price Index 1967/68-1976/77



Consumer Price Index Applied to 1967 Per Pupil Cost

(\$553.95 = 100%)

PROPOSED BUDGET GUIDELINES FOR 1977-78

10/12/76

Regular Budg.

BASIC BUDGET GUIDELINES

ESTIMATED
COST +

1. The number of professional staff needed at the elementary level for 1977-78 will be determined by using the projected enrollments as prepared by NESDEC in the fall of 1975.	
2. The total cost of these positions will be determined by moving ahead each staff member one year on the salary schedule as contracted for 1977-78. The cost will not include those positions projected for elimination.	\$101,035
3. The number of professional staff needed at the secondary level will be determined by using the projected enrollments as prepared by NESDEC in the fall of 1975 and by using our previous enrollment experience subject by subject.	318,678
4. The cost of paraprofessional positions will be determined by adding 4.5% for each person as contracted except that the number of paraprofessionals will be reduced where enrollments in programs with paraprofessional support make such reductions possible.	12,266
5. The cost of secretaries will be determined by adding 5% for each person as contracted.	18,514
6. The cost of custodians will be determined by maintaining each custodian at the 1976-77 salary level, since the custodians' contract expires at the end of 1976-77.	
7. Current negotiations with the IAA project a potential cost in the area of \$30,000. This figure will need to be adjusted upon the completion of negotiations.	30,000
8. All non-contracted employees' salary costs will be determined by maintaining the same levels as paid in 1976-77 or as paid in 1975-76, if new salaries have not been established at the time this tentative budget figure is set.	6,418
9. Costs for substitutes will be determined on the basis of our experience during the 1975-76 school year.	36,052
10. The cost of contracted services, including equipment rental, boiler and thermostat maintenance, clock maintenance, gym equipment maintenance, ground upkeep, etc., will be determined on the basis of an average of our 1974-75 and our 1975-76 experience plus an inflation percentage increase of <u>10%</u> , based on an average increase in the cost of living index during the past two years.	825